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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)	
)	
Access Charge Reform for Incumbent)	CC Docket No. 98-77
Local Exchange Carriers Subject to)	
Rate-of-Return Regulation)	

REPLY COMMENTS OF AMERITECH

Ameritech submits this reply to comments on the Commission's Notice of Proposed Rulemaking in the above-captioned matter.¹ Ameritech limits this reply to AT&T's suggestion that the Universal Service Fund be used to subsidize below-cost access rates.² AT&T's suggestion should be soundly rejected as contrary to the law and the Commission's rules.

AT&T complains that, even after access reform, rate-of-return local exchange carriers' ("LECs") cost-based access rates "will still be almost two and a half times the price cap LECs" rates on a composite basis.³ AT&T then complains that, because of the requirement for nationally averaged long distance rates, these higher access rates disproportionately burden AT&T and other interexchange carriers ("IXCs") that serve rate-of-return LECs' service areas.⁴

¹ *In the Matter of Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation*, CC Docket No. 98-77, Notice of Proposed Rulemaking, FCC 98-101 (released June 4, 1998) ("NPRM").

² AT&T at 7.

³ *Id.* at 5.

⁴ *Id.* at 6.

To remedy this problem, AT&T first proposes that rate-of-return LECs' authorized rate-of-return be lowered from its current 11.25%. Next, however, AT&T suggests that, even though the resulting rates would be cost-supported, the rate-of-return LECs' restructured rates be set at the nationwide average of the price cap LECs' traffic-sensitive rates and that any difference between these rates and the rate-of-return LECs' costs be supported from the Universal Service Fund.⁵

AT&T's universal service funding request is an undisguised and inappropriate attempt to subsidize its own costs out of the federal Universal Service Fund -- i.e., the costs that it has always appropriately paid in cost-based access charges to these LECs. Such a request is clearly out of line. In the Universal Service Order, the Commission specifically stated that universal service support would not be available for interexchange or toll service.⁶ Moreover, the fact that Congress saw fit to require the averaging of interstate interexchange services⁷ demonstrates that it intended that the averaging mechanism itself be the vehicle by which toll rates in higher cost

⁵ *Id.* at 7.

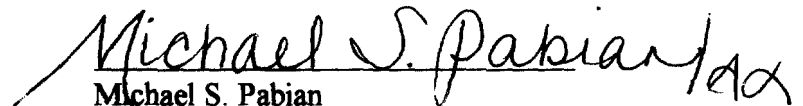
⁶ *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157 (released May 8, 1997) ("Universal Service Order") at ¶77.

⁷ §254(g) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996.

areas be subsidized. Creating an additional "draw" on the Universal Service Fund has no basis either in the Commission's rules or in federal legislation.

The Commission, therefore, should reject this request of AT&T to have its own business subsidized by the Universal Service Fund.

Respectfully submitted,

A handwritten signature in dark ink, reading "Michael S. Pabian" followed by a stylized flourish or "dx".

Michael S. Pabian

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Dated: September 17, 1998

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CERTIFICATE OF SERVICE

I, Todd H. Bond, do hereby certify that a copy of the foregoing Reply Comments of Ameritech has been served on the parties listed on the attached service list, via first class mail, postage prepaid, on this 17th day of September, 1998.

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